

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-09 IO-13 ISO-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 NSCE-00
SSO-00 USIE-00 INRE-00 /103 W
-----090744Z 082450 /14

O R 090630Z MAR 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC IMMEDIATE 9934

INFO USDEL MTN GENEVA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMCONSUL SYDNEY

UNCLAS SECTION 1 OF 2 CANBERRA 1636

EO 11652: NA

TAGS: ETRD, AS

SUBJ: POSSIBLE RESTRICTIONS ON WHISKEY IMPORTS

REF: A. STATE 048870, B. CANBERRA 1327, C. 76 CANBERRA 7624,
D. ENVELOPE OF DOCUMENTS TO EB/OT/TA AND USDOC/INDUS.
NATIONS DIVISION/OTP/BIEPR OF FEBRUARY 25, 1977
(ALL NOTAL)

1. SUMMARY: TEMPORARY ASSISTANCE AUTHORITY (TAA) HEARINGS
PROVIDE ONLY OPPORTUNITY FOR AN INDUSTRY TO PRESENT ITS CASE
FOR OR AGAINST TEMPORARY ASSISTANCE TO AUSTRALIAN INDUSTRY
VIS-A-VIS IMPORTS. EMBASSY COMATT ATTENDING HEARINGS AND
COUNSELLING U.S. INDUSTRY REPS, BUT HEARINGS ARE NOT THE OCC-
ASION FOR DIPLOMATIC REPRESENTATIONS. BECAUSE U.S. INDUSTRY
REPRESENTATIVES HAVE NOT SO FAR BEEN PREPARED TO TESTIFY,
OPPORTUNITY TO PRESENT U.S. INDUSTRY CASE MAY BE FORECLOSED.
IMMEDIATE ACTION REQUIRED ON PART OF DISTILLED SPIRITS COUNCIL
OF U.S. (DISCUS). END SUMMARY.

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2. DISCUS WAS ESSENTIALLY CORRECT IN ITS BASIC UNDERSTANDING
OF TEMPORARY ASSISTANCE AUTHORITY HEARINGS, AS SET FORTH
REFTEL A. FOR FURTHER BACKGROUND THIS CASE, SEE REFTEL C,
WHICH ADVISED OF INVITATION FOR SUBMISSIONS BY INTERESTED
PARTIES TO DEPARTMENT OF INDUSTRY AND COMMERCE; REFTEL B,
WHICH ADVISED OF REFERRAL BY MINISTER FOR BUSINESS AND CON-

SUMER AFFAIRS TO TEMPORARY ASSISTANCE AUTHORITY; AND REF D, WHICH PROVIDES DOCUMENTS CITED IN REFTEL B. TAA REPORT STEMMING FROM THESE HEARINGS MUST BE PRESENTED TO MINISTER BY MARCH 24, 1977. ADDITIONAL GENERAL BACKGROUND ON FUNCTIONING OF TAA IS CONTAINED IN 76 CANBERRA 8457.

3. TAA TERMS OF REFERENCE REQUIRE IT TO DETERMINE WHETHER THERE IS A RELATIVELY RECENT AND SUBSTANTIAL CHANGE IN IMPORT PICTURE WHICH IS DOING DAMAGE TO LOCAL INDUSTRY AND WHETHER TEMPORARY ASSISTANCE WOULD ENABLE INDUSTRY TO TAKE MEASURES TO ENABLE IT TO SURVIVE AFTER TEMPORARY ASSISTANCE REMOVED. TAA IS LIMITED TO RECOMMENDING QUOTAS AND TARIFF QUOTAS AS MEANS OF RELIEF.

4. REQUEST FOR ASSISTANCE AGAINST IMPORTS OF WHISKEY, BRANDY, GIN, AND VODKA IS BEING MADE BY AUSTRALIAN GRAIN DISTILLING INDUSTRY, WHICH CONSISTS PRIMARILY OF UNITED DISTILLERY AND GILBEY'S. BOTH ARE SUBSIDIARIES OF U.K. COMPANIES, AND BOTH PRODUCE IN AUSTRALIA LOW-END-OF-THE-MARKET WHISKEYS, AS WELL AS GINS AND VODKAS. BOTH COMPANIES ARE ALSO IMPORTERS OF HIGH-END-OF-THE-MARKET SCOTCH.

5. PETITIONERS' LOCALLY PRODUCED WHISKEYS HAVE IN RECENT YEARS BEEN LOSING OUT IN LOWER END OF MARKET TO CHEAPER SCOTCHES, TERMED SECONDARY SCOTCHES. TESTIMONY TO DATE HAS ESTABLISHED THAT THERE IS NO RELIABLE BASIS FOR DISTINGUISHING BETWEEN SO-CALLED SECONDARY SCOTCH AND PRIMARY SCOTCH OTHER THAN ON BASIS OF PRICE, AND THAT IN FACT MARKETING PATTERNS HAVE CHANGED TO SUCH AN EXTENT THAT EVEN PREMIUM SCOTCHES CAN UNCLASSIFIED

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NOW BE BOTH AT DISCOUNT PRICES.

6. PETITIONERS HAVE ASKED THAT: A. EXCISE TAXES BE REDUCED FOR DOMESTIC PRODUCT TO 70 PERCENT OF DUTIES APPLICABLE TO IMPORTS; B. THAT QUOTA ON IMPORTS BE ESTABLISHED AT 100 PERCENT OF FY 71/72 LEVEL; C. THAT ADDITIONAL DUTY OF 50 PERCENT BE IMPOSED ON IMPORTS ABOVE QUOTA. GRANTING OF PETITIONERS' REQUEST WOULD ENABLE THEM TO REDUCE PRICES ON THEIR DOMESTIC OUTPUT WHILE PHYSICALLY LIMITING VOLUME OF IMPORTS OF LESS EXPENSIVE SCOTCH, WHICH IN FY 71/72 WERE LESS PROMINENT PART OF MARKET. IT WOULD LEAVE LARGELY UNAFFECTED THEIR IMPORTS OF PRIMARY SCOTCHES.

7. HEARING EXAMINER HAS INDICATED THAT RECOMMENDATION FOR EXCISE TAX REDUCTION IS NOT WITHIN HIS TERMS OF REFERENCE, AND HE HAS STRONGLY IMPLIED THAT MORE RECENT BASE YEAR WILL BE NECESSARY IF ASSISTANCE SHOULD BE GRANTED. IF TARIFF QUOTA WITH RECENT BASE YEAR IS IMPOSED, IT WILL UNDOUBTEDLY REDUCE CONSUMPTION OF ALL IMPORTED SPIRITS, INCLUDING THOSE IMPORTED

BY PETITIONERS.

8. ALTHOUGH THESE HEARINGS PROVIDE ONLY OPPORTUNITY FOR U.S. INDUSTRY TO MAKE KNOWN ITS EXISTENCE AND ITS INTERESTS PRIOR TO TAA DECISION, U.S. INDUSTRY REPRESENTATIVES AT HEARING (SEAGRAMS AND SCHENLEYS) WERE PUT UNDER ORDERS FROM THEIR U.S. OFFICES NOT REPEAT NOT TO TESTIFY. AS RESULT OF EMBASSY URGING, SCHENLEY REP WAS WILLING TO SUBMIT A BRIEF LETTER PUTTING ON RECORD INTEREST OF SCHENLEY IN PROCEEDINGS. ALTHOUGH HE DID NOT TESTIFY, HE WAS SWORN IN FOR PURPOSE OF ENTERING LETTER INTO RECORD, AND HEARING EXAMINER ADVISED THAT BECAUSE HE HAS BEEN SWORN IN, HE MAY SUBSEQUENTLY SUBMIT

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EVIDENCE. EXAMINER POINTED OUT, HOWEVER, THAT BECAUSE OF MARCH 24 DEADLINE FOR TAA REPORT, HE WOULD HAVE MAXIMUM OF WEEK TO TEN DAYS TO SUBMIT ADDITIONAL TESTIMONY.

9. EMBASSY WOULD STRONGLY URGE THAT DISCUS BE INFORMED OF THIS AND THAT IT TAKE IMMEDIATE ACTION TO PREPARE TESTIMONY. BECAUSE SCHENLEY REP WAS SWORN IN AS REPRESENTATIVE OF HIS COMPANY, ANY TESTIMONY SHOULD BE SUBMITTED BY SCHENLEY IN BEHALF OF U.S. INDUSTRY (ASSUMING DISCUS CAN DELEGATE SUCH AUTHORITY) AND NOT BY DISCUS OR OTHER ENTITIES.

10. A VERY STRONG ANTI-PROTECTION PRESENTATION WAS MADE BY

SEAGARS (AUSTRALIA) PTY. LTD., AN IMPORTER OF SO-CALLED SECONDARY SCOTCH. EMBASSY BELIEVES MAIN NECESSITY TO BE MET BY SCHENLEY PRESENTATION IS TO BRING BEFORE THE TAA EXTENT OF U.S. INDUSTRY INTEREST (FAILURE TO TESTIFY IS INTERPRETED BY TAA AS DEMONSTRATING LACK OF INTEREST). EMBASSY BELIEVES THAT FOLLOWING THREE POINTS, TO EXTENT THEY CAN BE DOCUMENTED BY FACTS, WOULD ALSO STRENGTHEN ANTI-ASSISTANCE UNCLASSIFIED

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CASE FOR U.S. INDUSTRY: 1. BULK OF EMPLOYMENT IN BRINGING A WHISKEY PRODUCT TO MARKET IS IN DISTRIBUTION, ADVERTISING, AND SALES, NOT IN DISTILLING; 2. SHIFTING CONSUMER PREFERENCES AS A CONSEQUENCE OF EFFECTIVE MARKETING, AND NOT PRICE CONSIDERATIONS, ACCOUNT FOR THE GROWTH OF CONSUMPTION OF U.S. WHISKEYS IN AUSTRALIA (U.S. WHISKEYS APPEAR TO BE MORE EXPENSIVE THAN LOCAL WHISKEYS); IN THIS REGARD, EMBASSY UNDERSTANDS TRANSPORTATION COSTS FOR U.S. WHISKEYS ARE HIGH RELATIVE TO PRODUCTION COSTS, AND MARKETING COSTS FOR ALL WHISKEYS ARE APPARENTLY HIGH RELATIVE TO PRODUCTION COSTS; 3. PRESENT MARKET POSITION OF AMERICAN WHISKEYS IS A LONG-TERM ACHIEVEMENT DUE TO MARKETING EFFORTS AND SHIFTING CONSUMER PREFERENCES AND IS NOT A SUDDEN, SHORT-TERM PHENOMENON FOR WHICH TEMPORARY ASSISTANCE TO LOCAL WHISKEY PRODUCERS WOULD SEEM LIKELY, WITHIN THE TERMS OF REFERENCE OF TAA, TO BE AN APPROPRIATE RESPONSE. PERCIVAL

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Message Attributes

Automatic Decaptioning: X
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Executive Order: N/A
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SAS ID: 3165717
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE RESTRICTIONS ON WHISKEY IMPORTS
TAGS: ETRD, AS
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